IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1944.

No. 763

THE KELLING NUT CO., A CORPORATION,
Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
A CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS, FOR THE NINTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

GUY A. GLADSON,
COLLINS MASON,
ARTHUR D. WELTON, JR.,
Attorneys for Petitioner.

THE GUNTHORP-WARREN PRINTING COMPANY, 220 SOUTH JACKSON, CHICAGO

SUBJECT INDEX.

INDEX OF CASES.

STATUTES.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1944.

No. .....

THE KELLING NUT CO., A CORPORATION,
Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
A CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS, FOR THE NINTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, The Kelling Nut Company, respectfully prays for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit, to review a judgment entered by that court August 28, 1944 (without opinion), dismissing petitioner's appeal (R. 83). The appeal was prosecuted to reverse an order refusing peti-

tioner (defendant in the trial court) the right to be reimbursed for costs and expenses aggregating nearly $40,000 incurred during twenty months of patent litigation, in a case in which respondent, owner of a broadened reissue patent, was permitted to dismiss without prejudice for the stated purpose of carrying on further litigation in a subsequent suit brought in the District Court in Chicago. October 23, 1944 petition for rehearing was denied, with an opinion placing the dismissal on the ground (never advanced by respondent) that the appeal from the trial court's order "attempted" merely a "collateral attack" on the order appealed from (R. 90, 91). A petition for leave to file a second petition for rehearing, challenging the extraordinary technicality first indicated by the opinion of October 23rd, was denied November 9, 1944.

SUMMARY STATEMENT OF MATTER INVOLVED.

Respondent, owner of a broadened reissue patent covering a nut toasting machine, the users of which had to buy the nuts for the machines from the respondent, has had one or more suits charging infringement of its patent continuously pending since 1935. This, its fourth suit, was filed in Los Angeles August 4, 1941 (R. 50). There ensued considerable activity, including depositions by both parties, but the case was not tried (R. 54). After it had been pending over twenty months (and petitioner had spent just under $40,000 in connection with its defense (R. 54), respondent moved to dismiss without prejudice (R. 30)—having in the meantime filed its fifth suit in Chicago April 21, 1943, naming petitioner and nine others as defendants and attempting to set up approximately five different causes of action (R. 56).

Petitioner moved for an injunction restraining the new Chicago action because it involved some of the same issues. Respondent then moved to dismiss without prejudice. Petitioner opposed this motion, and also urged that it be reimbursed for its costs and expenses if dismissal was permitted (R. 30).

The trial court first said orally that the "costs and expenses * * * would have to be allowed" (R. 31), then entered an order requiring presentation of a motion to the Chicago court in the new action for a determination of petitioner's costs and expenses, but, if that court declined to hear the motion, "then to this Court, upon proper notice to plaintiff for determination pursuant to Rule 41a(2)" (R. 36, 37). Jurisdiction to entertain such a motion was retained. But, finally, February 7, 1944, the trial court entered the order appealed from, denying petitioner's motion for costs (filed September 9, 1943 (R. 39)) "without prejudice" (R. 42)—empty words, for the order provided

that the petitioner could not even ask for *leave to renew* its motion for costs until the new action in Chicago had been tried or the trial thereof "unreasonably" delayed (R. 42).

Petitioner's appeal was met with a motion to dismiss on the grounds that the order was not final, was only discretionary—in either of these events not appealable—and that any right petitioner had to appeal related only to the dismissal decree, not to the order refusing to hear and determine petitioner's costs.

The court below granted the motion to dismiss without opinion, but on rehearing handed down an opinion. This indicated that the court was not out of sympathy with petitioner's contention that the trial court had abused its discretion but avoided the issue by announcing (for the first time) that the notice of appeal brought up only the paragraph of the order "denying the motion"—an astonishing and incorrect interpretation not even urged by respondent. On this erroneous premise the Court of Appeals concluded that petitioner might not "collaterally" attack that part of the order barring renewal of its motion until after the Chicago action was tried, although the court clearly indicates that it had grave doubt about the propriety of that order (R. 89, 90).

The opinion of the Court of Appeals thus obscures important questions under the Federal Rules of Civil Procedure by resort to obsolete formalism—a construction clearly contrary to the spirit and to express requirement of the rules, as well as to the interpretation thereof adopted by other Circuit Courts of Appeals. It thereby enables a patentee which has kept its patent in litigation in one way or another since 1935 to harass this petitioner with successive suits without at the least being required first to reimburse it for the very large expenses to which petitioner was subjected in the Los Angeles action. Every consideration of public policy demands a reversal of the judgment below.

STATEMENT OF MATTER INVOLVED.

The foregoing summary statement is probably too concise to reflect adequately the harassment to petitioner that has resulted from respondent's insatiable appetite for litigation. The simple fact is that, from respondent's point of view, this appeal is but an incident of litigation which respondent has kept going in one form or another, in one court or another, since 1935, to establish alleged rights under a patent for a nut toasting machine granted May 13, 1934, and the broadened reissue thereof applied for January 15, 1936 and granted June 30, 1936.

One phase of respondent's multifarious litigation was before this Court in *Sontag Chain Stores, Ltd.* v. *National Nut Company of California*, 310 U. S. 281. This Court there found that the defense of intervening rights had been properly sustained by the district court, and that "respondent was moved to obtain the reissue by petitioner's use of the accused machine * * *. The enlarged claims were presented with knowledge of the accused machine and definite purpose to include it" (310 U. S. 282, 293).[1]

In the instant case respondent alleged that petitioner's accused machine is "in all respects substantially the same" as the one involved in the *Sontag case* (R. 4), and claimed the alleged benefit of the Ninth Circuit Court of Appeals' decision of validity, which was not reviewed by this Court in that proceeding.[2] The defense of intervening rights was also pleaded by this petitioner in the instant case (R. 24).

1. On the basis of respondent's pleading in the instant case (R. 4) and in the Chicago case (R. 61), the *Sontag* case may be regarded as a related action, although petitioner controverts the conclusions of both pleadings.

2. Of course, this Court's reversal of the judgment also wiped out the Circuit Court of Appeals' decision on validity (*Corning, et al* v. *Troy Iron and Nail Factory*, 56 U. S. 451; *Butler* v. *Eaton*, 141 U. S. 240).

Respondent's business is "the sale of edible nuts to retail dealers and the supplying of dispensing equipment therefor" (R. 57). In the *Sontag case* respondent's president testified in answer to questions by the court, and without qualification, that its "machines are not sold but put out on a rental basis; that the rental varies from half a cent to two cents a pound on the nuts used in the machines. *The stores have to buy the nuts from us to use in our machine*" (R. 103, 104 of No. 671, October term, 1939; emphasis supplied). Such arrangements were condemned by this court in *Morton Salt Co.* v. *E. H. Suppiger Company*, 314 U. S. 488, as an unlawful extension of the patent monopoly. This court also there said that the prosecution of an infringement suit "even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent" (314 U. S. 488, 493).

Petitioner, which does not consider respondent a competitor, amended its answer after the decision in the *Morton Salt case* and the accompanying *B. B. Chemical case* (314 U. S. 495) to set up the defense thus made available to it (R. 28). The history of respondent's litigating activities will demonstrate the necessity for applying the policy of Rule 41 (a) (2) so as to be consistent with, and not defeat, the policy announced by these decisions.

The cases first instituted by respondent, disposed of by this Court's decision in the *Sontag case*, were filed October 19, 1935 (on the original patent), and January 26, 1937 (on the reissue patent). While these cases, filed in San Francisco against a *user*, were on their way up, an action instituted by respondent early in February, 1937, in the District Court in Chicago against Susu Nut Company, the *manufacturer* of the machine involved in the Sontag suit

was also pending (R. 33, 53). Despite the pendency of that action in Chicago against a defendant there domiciled, respondent on August 4, 1941 filed the instant action (its fourth) against this petitioner in Los Angeles, although, as respondent alleges, petitioner is also domiciled in Chicago (R. 50, 57), and respondent in Oakland (R. 2). Morris Rose, a Los Angeles user of a machine manufactured by petitioner, was also named a defendant.

April 21, 1943 respondent filed yet another action (the fifth) in the District Court in Chicago against petitioner and nine other defendants (three identified only as "John Doe Company", "John Doe", and "Richard Roe"), and including the defendant in the case which had been pending in Chicago since 1937, the manufacturer of the machine involved in the Sontag litigation (R. 56).

Respondent then moved for a consolidation of the case at bar (pending in Los Angeles) with the new action in the Chicago District Court, obviously a frivolous motion.[3] Since the new suit involved some of the same issues as the case at bar, petitioner asked that plaintiff be enjoined from prosecuting the new Chicago action while the instant case was pending.[4]

Upon the argument of these two motions the motion to consolidate was denied, and respondent moved orally for dismissal without prejudice "and with costs to abide the outcome of the new action in Chicago" (R. 30, 51). The trial court stated that the costs and expenses "would have to be allowed" (R. 31).

---

3. There is neither statute, rule, nor decision to support it: on the contrary (*U. S. v. Silverburgh Construction Co.*, 10 F. Supp 121).

4. A motion supported by the overwhelming weight of authority: *e. g., Milwaukee Gas Specialty Co. v. Mercoid Corporation*, (7 Cir.), 104 F. 2d, 587; *In Re Georgia Power Co.*, (5 Cir.), 89 F. 2d, 218; *Crosley Corporation v. Hazeltine Corporation*, (3 Cir.), 122 F. 2d, 925.

June 2, 1943 a decree was entered providing that the dismissal without prejudice was "with costs to be hereafter determined upon motion presented to the United States District Court, for the Northern District of Illinois, Eastern Division, or if said court declines to hear said motion, then to this court," and reserving jurisdiction to hear and entertain such motion (R. 35).

June 22, 1943 (on respondent's motion) a modified decree of dismissal was entered, vacating the original, but again providing that the question of petitioner's costs and expenses should be determined upon motion in the Chicago District Court for determination under Rule 41(d), "or, if such court shall decline to hear said motion, then to this court, upon proper notice to plaintiff for determination pursuant to Rule 41(a)(2)" (R. 36, 37). Jurisdiction was again retained.

Respondent made a motion in the Illinois court with respect to costs (R. 52), which was denied November 16, 1943 (R. 53). Petitioner made no such motion but did move for an order in that subsequent action staying all proceedings until the costs in the dismissed Los Angeles action were determined and paid, which was denied September 30, 1943 (R. 52, 53).

Prior thereto, on September 9, 1943, petitioner filed several motions in the Los Angeles court, stating to the court that it had filed no motion with respect to costs in the Chicago court because that court was without jurisdiction of the subject matter[5], and seeking modification of the dis-

5. Unquestionably the law: *Coburn* v. *Schroeder*, 8 Fed. 522; *Wilner* v. *United States*, (7 Cir.), 68 F. (2d) 442, 445; *National S. S. Co.* v. *Tugman*, 2 Cir., 82 F. 246, 248; *Rand* v. *Nash*, 51 Pac. (2d) 296, 298; *Baronne Building, Inc.* v. *Mahoney*, 132 So. 795, 796; *Perlus* v. *Silver*, 128 Pac. 661, 663; *State, ex rel.* v. *Broad River Power Co.*, 162 S. E. 74, 91; *British & South American Steam Navigation Co.* v. *D. L. & W. R. Co.*, 195 Fed. 984.

missal decree of June 22, 1943, so as to remove from it the condition precedent resulting from the abortive reference of the matter of costs to the Chicago court. At that time petitioner also presented its bill of costs and expenses, moved for their determination, and moved for an order restraining respondent from proceeding in the new Chicago action until those costs and expenses were determined and paid. September 27, 1943, the trial judge, the Honorable J. F. T. O'Connor, took these motions under advisement "until the Illinois court, which now has this matter under submission, renders its decision" (R. 52).

February 7, 1944, the trial court entered an order denying a belated motion of respondent's for vacation of the decree of dismissal of June 22, 1943, and also denying petitioner's motion for determination and taxation of defendant's litigation costs and expenses against respondent. This denial of petitioner's motion was stated to be without prejudice, but the condition thereof was that in the event the new Chicago action "is tried and submitted without unreasonable delay, the defendant may thereafter renew its said motion and in the event of unreasonable delay in the trial and submission of such action, then upon due notice to plaintiff, defendant may apply to this court for leave to renew its said motion" (R. 41, 42).

The appeal to the court below was prosecuted from this new order, which the court below correctly stated modified the decree of dismissal. Because it was an order ruling upon motions of both parties, the notice of appeal states that the appeal is "from the portion of the judgment entered in this cause on February 7, 1944, denying the motion of this defendant for a determination and taxation of its costs and expenses against plaintiff" (R. 43).

The original order dismissing the appeal was without opinion (R. 83). On rehearing an opinion was handed

down finding that petitioner's contention that the district court had abused its discretion in postponing the determination of petitioner's costs and expenses until after the trial of the new Chicago action "well could have been presented on appeal from the judgment on June 22, 1943, and possibly from the modification on February 7, 1944" (R. 90).

The decision below is predicated upon an erroneous construction of the notice of appeal, resulting from failure to understand that the order dealt with two motions. The court below did not concur in any of the grounds asserted by respondent in support of its motion, but on the contrary it refused to accept those grounds and at least by implication characterized them as erroneous and insufficient. The alleged insufficiency of the notice of appeal was not urged by respondent at any time.

Jurisdiction.

Jurisdiction in this court is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925, 28 U. S. C. A. 347 (a).

Petition for rehearing was denied October 23, 1944 (R. 87).

Opinion Below.

The only opinion of the court below was on rehearing. It is found at page 87 of the record. It is not yet reported.

Questions Presented.

This petition presents the following questions:

1. An important question of Federal law which has not been but should be passed upon by this court is whether a litigant who chooses to drop one patent suit and start another in another circuit against the same defendant may

be permitted, under Rule 41(a)(2) of the Federal Rules of Civil Procedure, to dismiss without prejudice and without being required to reimburse the defendant for the costs and expenses incurred by it in the dismissed action, although by reason of the dismissal those expenditures have been for naught.

2. In the case at bar this general question becomes the specific inquiry: Whether a trial court, after granting plaintiff's motion to dismiss without prejudice, conditioned on the payment of costs and expenses to be thereafter determined upon a specific contingency, may subsequently, after the contingency has occurred, refuse to entertain defendant's motion for the allowance of costs and expenses until the termination of another suit instituted by plaintiff in another jurisdiction, including substantially the same but also additional issues, and naming several defendants in addition to the principal defendant in the dismissed action.

3. In considering the designation of the portion of the order appealed from, pursuant to Rule 73 (b) of the Federal Rules of Civil Procedure, may the court adopt a construction (not urged by appellee) of such a nature as will defeat the appeal, or must the court adopt a reasonable construction which will give effect to the appeal and which will follow the injunction of Rule 1 of the Federal Rules of Civil Procedure that "they shall be construed to secure the just, speedy and inexpensive determination of every action."

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.

1. The first and most obvious reason is that the scope of discretion under Rule 41(a)(2) is an important question of Federal law which has not been but should be passed

upon by this court. The instant case is a glaring example of how a district court, by disregard of well established principles, has effectively rendered the rule wholly worthless.

2. To the extent that the granting of the motion to dismiss sanctions the action of the District Court, it is clearly in conflict with the decisions of other Circuit Courts of Appeals.

3. The ultimate recourse of the Court of Appeals to an utterly unnecessary and apochryphal technicality in the construction of petitioner's notice of appeal is in the teeth of the spirit of the Federal Rules of Civil Procedure and a flat refutation of their intended abolishment of formalism. This also involves an important question of construction of the Rules not heretofore passed on by this Court but clearly in conflict in principle with the decisions of other Circuit Courts of Appeals.

WHEREFORE, your petitioner respectfully prays that a writ of certiorari be issued under the seal of this court directed to the United States Circuit Court of Appeals, for the Ninth Circuit, commanding that court to certify and send to this court on a day to be designated a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this court; that the judgment of said Circuit Court of Appeals be reversed; and that your petitioners be granted such other and further relief as may seem just and proper.

Respectfully submitted,

GUY A. GLADSON,
COLLINS MASON,
ARTHUR D. WELTON, JR.,
Attorneys for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

The erroneous construction placed by the court below upon the notice of appeal herein should be corrected not only because it is erroneous but because it is directly contrary to the spirit and the requirements of the Federal Rules of Civil Procedure and in conflict with the construction thereof by other Circuit Courts of Appeals.

The order appealed from, entered February 7, 1944, decided two motions, one by respondent and one by petitioner. The petitioner intended to bring before the court below only the ruling on its motion. Therefore, as required by Federal Rule of Civil Procedure 73 (b) it was necessary for petitioner to "designate the judgment or part thereof appealed from". The notice of appeal designates the portion of the order "denying the motion of this defendant for a determination and taxation of its costs and expenses against plaintiff" (R. 43). This constituted an appeal from the entire portion of the order denying petitioner's motion.

The trial court, in ruling upon petitioner's motion for costs and expenses, entered an order that defendant's motion "for determination and taxation of defendant's litigation costs and expenses against plaintiff is hereby denied without prejudice" (R. 42). That is the first paragraph of the part of the order of which petitioner complains. The second and ensuing paragraph thereof provides:

> "In the event that the action entitled '*National Nut Company of California, plaintiff, v. The Kelling Nut Company, et al., defendants*', pending in the District

> Court of the United States for the Northern District of Illinois, Eastern Division, No. 43 C 423, is tried and submitted without unreasonable delay, the defendant may thereafter renew its said motion, and in the event of unreasonable delay in the trial and submission of such action, then upon due notice to plaintiff, defendant may apply to this court for leave to renew its said motion" (R. 42).

It is obvious that the language of the order saying that the motion was denied "without prejudice" is meaningless. If these two words meant what they said petitioner could have renewed its motion the next day, and it would have had no complaint to take to the reviewing court. The court below, instead of reading the notice of appeal as designating the portion of the order dealing with petitioner's motion, used the *words* as specifically descriptive of a part only of the order and therefore of the only part appealed from. At best this can be considered destructively literal and technical. In fact, it is simply misunderstanding.

Petitioner's second specification charges error "in refusing to proceed to the determination and taxation against plaintiff of such costs and expenses" (R. 46, 72). This clearly indicates petitioner's insistence on its right to have its costs and expenses determined and paid presently and not at some remote time not within petitioner's control. It was and is petitioner's position that the postponement of the allowance of costs to some indefinite time in the future was a final order[6] and that it was an abuse of discretion for the trial court to refuse to hear and determine them.

6. *American Brake Shoe & Foundry Co.* v. *New York Rys. Co.*, (2 Cir.), 282 F. 523, 527; *City and County of Denver* v. *Stenger*, (1 Cir.), 295 F. 809, 813. And see *Bedgisoff* v. *Cushman*, (9 Cir. 12 F. 2d, 667.

It is clear that the requirement for the designation of the order, or part thereof, appealed from is to enable the adversary party to know the scope of the appeal and if the record will include what is necessary for review. So, also, of the specifications of error. There is no claim by either the respondent or by the court below that the record was in any respect inadequate *for review of the questions petitioner seeks to raise*. Respondent has asserted no claim as to the insufficiency of the notice of appeal.

It is true that respondent urged that the order was not final and appealable and that respondent sought to justify the trial court's decision as a sound exercise of discretion. The opinion of the court below does not indicate agreement with respondent upon these propositions.[7] Under these circumstances it was clearly erroneous for the court below, *sua sponte*, to adopt what is, even on the most favorable view, a narrow and technical construction of the notice of appeal. In so doing it has run counter to decisions of other circuits as well as to the requirements of statute and rule.

In *Keeley* v. *Mutual Life Insurance Co. of N. Y.*, 7 Cir. 113 F. 2d. 633, dismissal of an appeal was suggested by reason of appellant's failure to file a statement of points under rule 75(d). The court announced its conclusion as follows (p. 636):

> "Appellee, however, has not suggested that her cause on appeal was in any way prejudiced by the failure of appellant to either serve, or file with the clerk, a concise statement of the points to be relied upon on appeal. *In the absence of any claim of injury*, we do not feel justified in dismissing the appeal." (Emphasis supplied).

7. As we read the opinion, the conclusion of the court below that the order appealed from was not a final order was reached only after the improper narrowing of the notice of appeal.

In *Shannon* v. *Retail Clerks, etc.*, 7 Cir., 128 F. 2d, 553, the court said (p. 555):

> "On this record we would hardly be justified in dismissing the appeal because an erroneous date of the order is given in the notice of the appeal."

In *Levy* v. *Levy* (D. C. Court of Appeals), 135 F. 2d, 663, appeal was dismissed because the notice of appeal did not designate the order from which the appeal was taken in a case where there were many orders. Consequently, the court was unable to proceed, although it said that "In some cases this would be a formal and not necessarily fatal defect" (citing the *Shannon case* and *Rosenberg* v. *Union Trust Co. of Rochester*, 259 N. Y. 123, 181 N. E. 71).

In *Roth* v. *Hyer*, (5 Cir.), 142 F. 2d, 227, the appellee contended that the appeal did not bring up any orders or judgments except those named in the notice of appeal. The court said:

> "We think otherwise. The final judgment (or such interlocutory one as may be appealed from), is the judgment to be designated under Rule of Civil Procedure 73b; *but the appeal draws in question all rulings of the court that produced that judgment.*" (Emphasis supplied.)

These decisions are obviously in agreement with the underlying policy as outlined by rule and statute. Federal Rule of Civil Procedure 61 states that "The court at every stage of the proceeding must disregard any error or defect in the proceeding which does not affect the substantial rights of the parties." As was noted in *University City, Missouri* v. *Home Fire & Marine Ins. Co.* (8 Cir.), 114 F. 2d, 288, 295:

> "This rule is intended for the guidance of the district court, but it should be heeded by the appellate court to make it effective."

Section 391, Title 28, U. S. C. A., Judicial Code, Sec. 269, provides that: "On the hearing of any appeal • • • in any

case, civil or criminal, the court shall give judgment after an examination of the entire record before the court, without regard to technical errors, defects, or exceptions which do not affect the substantial rights of the parties."

And Federal Rule of Civil Procedure 1 states the policy of the rules thus: "They shall be construed to secure the just, speedy and inexpensive determination of every action."

It thus appears that the court below, by a misapprehending literalism that has the appearance of strictest technicality, has refused correction of serious errors which have resulted from failure to apply properly important considerations of public policy—not only as to the construction of Federal Rule of Civil Procedure 73b but also Rule 41 (a)(2).

II.

Rule 41(a)(2) has been overwhelmingly considered as giving effect to previously existing policy and to require a plaintiff, permitted to dismiss without prejudice, to reimburse his adversary for costs and expenses, at the least, before plaintiff is permitted to institute another suit. This is an important question of Federal Procedural law that has not been and should be decided by this Court.

The real issue in this case is not complex. Respondent instituted this action in Los Angeles, although its own place of business was in Oakland, and petitioner was an Illinois corporation (R. 2), and it already had had a suit pending in Chicago against another Chicago company for over four years. After some twenty months of activity in this case, respondent concluded it would rather carry on its litigation in one suit in Chicago. Under the

Rules it had the right to ask the court's permission to dismiss the California action, but such right is controlled by Federal Rules of Civil Procedure 41 (a)(2), which provides that:

> "an action shall not be dismissed at the plaintiff's instance save upon order of the court, and upon such terms and conditions as the court deems proper."

It has been well said that "the dismissal without prejudice means the defendant has been put to expense literally for nothing" (*McCann* v. *Bentley States Corporation*, 34 F. Supp. 234). And the same judge, referring to the terms and conditions of Rule 41(a)(2) said: "No 'terms and conditions' are conceivable *except such as are calculated to compensate the defendant for the expense to which he has been put.*" (Emphasis supplied).

This view has met with wide approval (*Welter* v. *E. I. duPont deNemours & Co.*, 1 F. R. D. 551; *Taylor* v. *Swift & Co.*, 2 F. R. D. 424; *Mott* v. *Connecticut General Life Insurance Co.*, 2 F. R. D. 523; *DeFilippis* v. *Chrysler Sales Corporation*, 116 F. 2d. 375; *Hamilton Watch Co.* v. *Hamilton Chain Co.*, 43 F. Supp. 85). In one case the imposition of costs was contingent only on the institution of a new suit. An order dismissing without prejudice and without imposing costs was reversed as an abuse of discretion in *Home Owners' Loan Corporation* v. *Huffman* (8th Cir.), 134 F. 2d 314, 316, citing many decisions of this Court prior to Rule 41(a)(2), such as *Ford Motor Co.* v. *National Labor Relations Board*, 305 U. S. 364, 370; *Jones* v. *Securities and Exchange Commission*, 298 U. S. 1, 19, 20, *and Ex Parte Skinner & Eddy Corp.* 265 U. S. 86, 93.

The eighth Circuit Court of Appeals properly said, in that case, that Rule 41(a)(2) is "declaratory of long established practice in the courts," 134 F. 2d 314, 316. A square authority supporting petitioner's request for costs

and expenses in *Concrete Mixing and Conveying Co.* v. *Great Western Power Co.* (D. C. Cal.), 46 F. 2d 331, where the court said, in allowing $12,000 of costs and expenses (p. 332):

> "In the matter of the expenses, it was the judgment of the court when the order was made, and likewise is now, that it would be inequitable to leave it open to plaintiff to renew the litigation in its own time and to impose the necessity for repreparation upon defendant, without having reimbursed the latter for the expenses of preparation in the instant suit, by plaintiff's voluntary and belated dismissal rendered largely, if not wholly, useless. Otherwise, a wealthy litigant could ruin another by repetitions by plaintiff's tactics here."

Thus, the issue really presented on this record is whether or not a trial court, permitting a patentee to dismiss without prejudice for the sole purpose of carrying on further litigation against the same defendant (and others) in another circuit, may refuse the defendant the right to a determination of its costs and expenses until the conclusion of the subsequent litigation involving some, but not all, of the same issues. To state the question is to answer it, for the rationale of all of the decisions allowing costs and expenses is that a party to litigation may not be subjected to such harassment. Any other construction of Rule 41(a)(2) simply reads the rule out of existence.

This, it is submitted, is an important question of Federal procedural law which has not been but should be passed upon by this court.

Respectfully submitted,

GUY A. GLADSON,
COLLINS MASON,
ARTHUR D. WELTON, JR.,
Attorneys for Petitioner.

(17)

In the Supreme Court
OF THE
United States

OCTOBER TERM, 1944

No. 763

THE KELLING NUT CO. (a corporation),
Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA
(a corporation),
Respondent.

RESPONDENT'S BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI.

HUGH N. ORR,
CHARLES S. EVANS,
Crocker Building, San Francisco 4, California,
Attorneys for Respondent.

PERNAU-WALSH PRINTING CO., SAN FRANCISCO, CALIFORNIA

Subject Index

Table of Authorities Cited

Cases

Statutes

Texts

In the Supreme Court
OF THE
United States

OCTOBER TERM, 1944

No. 763

THE KELLING NUT CO. (a corporation),
Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA
(a corporation),
Respondent.

RESPONDENT'S BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI.

Respondent, National Nut Company of California, opposes the petition of The Kelling Nut Co., defendant below, for a writ of certiorari in the above entitled cause for each and all of the following reasons:

1. The petition is primarily designed for the purpose of obstruction and delay, and is without merit.

2. The petition is unsupported by the facts or by the pertinent law.

3. The rulings of the District Court and the Circuit Court of Appeals, which petitioner seeks to review, are sound; and cannot be materially altered without wide and unjustified departure from the prevailing rules and well established principles of practice in those Courts, and without substantial and unjustified prejudice to respondent.

4. No issue is involved meriting review by this Court.

BRIEF STATEMENT OF FACTS AND ISSUES.

On April 23, 1943, as an alternative to a motion for leave to consolidate the present action, then pending in the U. S. District Court for the Southern District of California, Central Division, and an action pending in the U. S. District Court for the Northern District of Illinois, Eastern Division, respondent-plaintiff moved for dismissal of the present action *without prejudice and with costs to abide the outcome* of the said Illinois action (R. 51). The said Illinois action includes in substance the issues involved in the present action and those involved in an earlier filed action pending in said Illinois Court; and names as defendants three corporate defendants and their respective officers, all charged to have joined in a course of action involving the acts complained of in respondent's complaint (compare complaint—R. 2—and bill of particulars—R. 9—in present action and plaintiff's complaint in the Illinois action—R. 56; and see R. 53, last paragraph, and R. 54, last paragraph).

The motion was granted upon the terms and conditions indicated by the decree of the District Court entered June 3, 1943 (R. 33), as modified by the decree entered June 22, 1943 (R. 36).

On September 9, 1943, petitioner, The Kelling Nut Co., moved for an order modifying the decree of the District Court entered June 22, 1943, and for taxation of costs and expenses under the decree as so modified (R. 38). On February 7, 1944, the District Court refused to vacate or modify its decree entered June 22, 1943 (R. 41); and denied petitioner's motion for taxation of costs and expenses submitted with and dependent upon its motion to modify said decree. The motion was denied without prejudice, and the order of the Court expressly states when a motion for costs under the decree of June 22, 1943, will be entertained.

Petitioner appealed to the Circuit Court of Appeals for the Ninth Circuit, from that portion only of the February 7th order of the District Court which denied petitioner's motion for a determination and taxation of its costs and expenses (R. 43 and 46). The refusal of the Court to vacate or modify the decree of June 22, 1943, was not appealed.

Respondent's motion to dismiss the appeal (see record of proceedings before the C.C.A. following page R. 76) was granted by the Circuit Court of Appeals summarily, without written opinion, on August 28, 1944 (R. 83). Petitioner's petition for rehearing was denied (R. 87) and thereafter a petition for leave to file a second petition for rehearing was also denied (R. 95).

The principal issue at this time is:

(a) Whether or not an appeal lies from the order of the U. S. District Court entered February 7, 1944, denying without prejudice petitioner's motion for determination and taxation of costs and expenses otherwise than in accordance with the condition provided by the decree of June 22, 1944 (and at the same time specifying *when* a motion to so determine and tax costs and expenses will be entertained pursuant to the said decree).

Incident to said principal issue are numerous related issues including:

(b) The time for appeal from the decree entered June 22, 1943, having expired, can petitioner now raise the question of whether or not the condition included in the decree of June 22, 1943, was a proper exercise of discretion by the trial Court under Rule 41 (a) (2) of the Rules of Civil Procedure for the District Courts of the United States, by an appeal from an order denying a motion to tax costs otherwise than in accordance with the condition provided in that decree?

(c) Are issues involving merely the exercise of discretion by a trial Court as to *when* it will determine and tax costs in an action dismissed under Rule 41 (a) (2) of the Rules of Civil Procedure, and/or the appealability of an order which on its face is *not final*, of such public importance as to warrant consideration by this Court?

(d) Shall petitioner be permitted to allow the time for appeal to expire as to a decree of dismissal based upon express terms and conditions, and thereafter evade the terms and conditions to the prejudice of respondent by a collateral proceeding based upon an appeal from an order made in conformity with those terms and conditions?

Other pertinent questions will be noted and discussed in the ensuing argument.

ARGUMENT.

I.

PETITIONER'S PETITION IS DESIGNED PRIMARILY FOR PURPOSE OF OBSTRUCTION AND DELAY.

The record shows that a substantial part of the costs and expenses incurred by the parties were in connection with depositions taken during the period August 4, 1941, to August 23, 1943; and that "*some*" of said costs and expenses resulted from controversies arising in connection with the depositions (R. 54). The record does not expressly show how great a proportion of the total expense (over $39,000.00 alleged by petitioner) was the direct result of the dilatory and obstructionist tactics pursued by petitioner, nor is that proportion presently ascertainable from data available to respondent or the Court. The record does show (R. 53) that, while the present action (No. 1676 O'C) was pending in the California Court, pro-

ceedings in aid of the California action were conducted before the Illinois Court in connection with the depositions; and that during the period April 4, 1942, to May 7, 1943, a total of *81* entries were made in the Docket of those proceedings in the U. S. District Court for the Northern District of Illinois, Eastern Division (Foreign No. 234). By order of said Illinois Court dated January 28, 1943, deposition proceedings in the action were ordered to be conducted before a Master in Chancery, appointed by that Court. Many documents and records relevant to the case are still retained in the custody of that Master in Chancery (R. 53). The number of appearances before the Court and entries in the Docket of the case (Foreign 234) speaks plainly of the extent of the controversies for which "*some*" of the expense was incurred. A frivolous appeal by petitioner from one of the orders of the Illinois Court in those proceedings was dismissed by the Circuit Court of Appeals for the Seventh Circuit, whose opinion is reported at 134 F. (2d) 532.

Respondent's complaint in Action 43-C-423, filed for the purpose of consolidating in a single action, at the domicile of the corporate defendants, its claims against petitioner and related corporate defendants and their respective officers, was filed April 21, 1943. Proceedings instituted in behalf of petitioner, The Kelling Nut Company, have so delayed the progress of that suit that answer has not yet been filed therein by any of the defendants.

The present petition for a writ of certiorari, based on an appeal summarily dismissed by the Circuit

Court of Appeals for the Ninth Circuit, is charged to be merely another example of the dilatory and obstructionist actions which have characterized petitioner's studied efforts (extending over three years) to prevent trial of plaintiff's action upon the merits.

II.

THE PRESENT PETITION IS WITHOUT MERIT IN FACT AND IN LAW.

The order of U. S. District Judge J. F. T. O'Connor, from which the present petition has sprung, involves merely a proper exercise of the discretion extended to the U. S. District Courts by Rule 41 (a) (2). The Court was of course aware of the bitter contests which have been proceeding before both the California and the Illinois Courts for many months. The books, records, and personnel of petitioner (and related corporations named as defendants in No. 43-C-423 in the Illinois Court) were (and still are) located at Chicago within the jurisdiction of the Illinois Court. Respondent became convinced and advised the Court that the cause could be tried in Illinois more expeditiously than in California. The decree of the California Court, dismissing the California action without prejudice, and upon the condition stated in the Modified Decree of Dismissal (R. 36) was made in contemplation of those facts, and was obviously a proper exercise of the Court's discretion under Rule 41 (a) (2). That rule provides for dismissal

> "* * * upon order of the Court and upon such terms and conditions as the Court deems proper."

The terms and conditions are purely discretionary.

> "Rule 41 (a) (2) of the Rules of Civil Procedure, 28 U.S.C.A. following section 723c, govern this matter. The Rule provides that an action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. From a reading of this Rule and of numerous decisions of the Federal Courts it is clear that the intent of the Rule is to leave the matter of dismissal to the sound discretion of the trial court. It is incumbent on the court to consider the rights of the parties and how they will be affected and what benefits or injuries may result to the respective sides in the controversy if the dismissal is granted."
>
> *Colonial Oil Co. v. American Oil Co.*, 3 F.R.D. 29 at 30-31.

If, as petitioner seems to urge, the Court is to be allowed no alternative but to immediately determine and tax all costs and expenses upon dismissal of a suit, then the Court is deprived of the discretion expressly extended to the Court by Rule 41 (a) (2).

No decision based upon facts reasonably similar to the facts of the present case has been cited by petitioner, or found by respondent. For example, the decision in *Home Owner's Loan Corp. v. Huffman*, 134 F. (2d) 314, cited and relied upon by petitioner, involves a case where *after trial* and decision in the

lower Court, and after *reversal* by the decision of the appellate Court *on appeal,* the plaintiff was allowed to dismiss without prejudice and without taxation of costs. Can the ruling of the C.C.A. on such facts be regarded as limiting the sound exercise of discretion by the trial Court upon the facts of the present case?

Neither the facts, the Rules of Civil Procedure, nor the weight of authority supports petitioner's position.

III.

PETITIONER'S REMEDY WAS BY APPEAL FROM THE MODIFIED DECREE OF DISMISSAL ENTERED JUNE 22, 1943, AND HAVING FAILED TO APPEAL PETITIONER CANNOT NOW EVADE OR ALTER THE TERMS AND CONDITIONS OF DISMISSAL TO THE PREJUDICE OF RESPONDENT.

If petitioner was dissatisfied with the terms and conditions upon which the District Court dismissed respondent's action, its remedy was by appeal from the decree of the Court. Petitioner did not appeal. Instead, it asked modification of the decree to permit determination and taxation of costs otherwise than in accordance with the terms and conditions stated by the Court (Motion, R. 38).

Respondent's motion was for dismissal without prejudice and *with costs to abide the outcome of the Illinois action* (R. 51). The decree of the Court entered in granting that motion plainly stated that the costs and expenses were to be determined in the future, obviously after the trial of the Illinois action, upon motion presented to the Illinois Court or to the Cali-

fornia Court. If, on direct appeal from that decree, the terms and conditions had been held improper, respondent would have been under no obligation to accept a dismissal upon terms or conditions not in accord with respondent's motion to dismiss.

> "Where the order is for leave to discontinue upon terms, plaintiff may refuse to accept the terms of the order and continue the action."
>
> 27 *Corpus Juris Sec.*, Dismissal & Nonsuit, Sec. 37, p. 195, citing *Sim v. Pindell*, 252 N.Y.S. 399.

> "If the plaintiff complies with these conditions, each case may then be dismissed without prejudice, otherwise each case will either remain in this court for trial, or be dismissed with prejudice."
>
> *Taylor v. Swift & Co.*, 2 F.R.D. 424.

In such an event, the dismissal could have been set aside, and the California action carried on to trial. Instead, petitioner has sought to trap respondent between a decree of dismissal which has become final as to respondent, while seeking to evade the terms and conditions imposed by the Court and to recoup from plaintiff all the costs and expenses which petitioner extravagantly expended in a desperate effort to prevent trial of the action. The effect of the order of February 7, 1944, here involved is merely to recognize the finality of the decree of June 22, 1943, in the form in which it was entered; and to more definitely state *when* the matter of costs and expenses will be entertained by the Court.

On its face, the interlocutory order of February 7, 1944, is *not* a *final* order, since it expressly states that further action may be taken, and how and when further order may be had. Such an order is not appealable.

> "The Circuit Courts of Appeals are given no right to review other than final judgments, except injunction orders, and no judgment is final which does not terminate the litigation between the parties on the merits of the case, or on some severable phase thereof, nor until it is entered in a court from which execution can issue." (Authorities cited.)
>
> *Crooker v. Knudsen,* 232 Fed. 857 at 858.

> "A final decree or judgment is one which puts an end to the controversy between the parties litigant. If the decision or judgment leaves some matter involved in the controversy open for future hearing and determination before the ultimate rights of the parties are conclusively adjudicated, it is interlocutory, and not final."
>
> *Beighle v. LeRoy,* 94 F. (2d) 30, at 31.

The Court's order on petitioner's motion to vacate and modify portions of the modified decree of dismissal entered June 22, 1943, on which petitioner's motion to determine and tax costs was conditioned, was not in itself appealable; and petitioner's motion did not extend its time for appeal from the modified decree of dismissal.

> "On the attempted appeal from the order of the court below denying plaintiff's motion to vacate the order of dismissal, it is to be observed

that, save in certain instances or exceptions not now material, this court has the jurisdiction to review only final decisions. 28 U.S.C.A. Sec. 225. An order of dismissal is a final judgment from which an appeal will lie. Colorado Eastern Ry. Co. v. Union Pac. Ry. Co., supra; Wilson v. Republic Iron & Steel Co. et al., 257 U.S. 92, 96, 42 S. Ct. 35, 66 L. Ed. 144. But an order denying a motion to vacate an order of dismissal is not such a final order, for it is 'The general rule is that no appeal will lie from an order denying a motion to vacate or modify a judgment, decree, or order. (Cases cited.)' Republic Supply Co. of Calif. v. Richfield Oil Co. of Calif., 9 Cir., 74 F. 2d 909, 910. See also Bensen v. United States, 9 Cir., 93 F. 2d 749. In the circumstances, therefore, we have no alternative but to dismiss the appeal in No. 9510." (Emphasis ours.)

Hicks v. Bekins Moving and Storage Co., 115 F. (2d) 406, at 409.

"The granting or refusal, absolute or conditional, of a rehearing in equity, as of a new trial at law, rests in the discretion of the court in which the case has been heard or tried, and is not a subject of appeal."

Roemer v. Neumann, 132 U. S. 103, 10 S. Ct. 12.

"Safeway's notice of appeal states that it 'hereby appeals * * * from the judgment of this Court entered the 17th day of January, 1942 * * *' But the order of that date was one denying a motion for (1) rehearing, and it is settled that no appeal lies from such an order. Restifo v. Hartig, 61 App. D. C. 252, 61 F. 2d 404; International Bank

v. Securities Corp., 59 App. D. C. 72, 32 F. 2d 968."

Safeway Stores Inc. v. Coe, 58 U.S.P.Q. 11.

Petitioner is brazenly attempting now to evade or secure indirect modification of the terms and conditions provided in the modified decree of dismissal entered June 22, 1943, by appeal from an order which is obviously only collateral to the issues determined by said decree. Such in effect is the ruling of the Circuit Court of Appeals which petitioner now seeks to bring up for review by this Court.

IV.

NO ISSUE MERITING THE TIME AND ATTENTION OF THIS COURT IS INVOLVED.

Is the exercise of sound discretion by a trial Court as to when a motion to determine and tax costs in an action dismissed without prejudice a matter of such public interest and importance as to require review by this Court?

Are the statutory provisions and established principles of appeal practice subject to review and revision by this Court upon writ of certiorari merely because petitioner neglected to raise the points here involved by direct appeal from the decision of the District Court?

Respondent respectfully submits that no issue has been raised which merits the time and attention of this

Court. To hold otherwise will open the door to a petition for a writ of certiorari to this Court on every discretionary interlocutory order made by a District Court and either dismissed by the Circuit Court of Appeals (as in this case) or ruled upon adversely to the wishes of the petitioner.

CONCLUSION.

Respondent has purposely confined the foregoing discussion to a brief statement of facts and circumstances believed to be material; and has refrained from any detailed discussion of the numerous misstatements, fallacies and excursions outside the record which mark petitioner's petition. On the facts and the law, as above summarized, respondent submits that, for each and all of the reasons above noted, the present petition for a writ of certiorari should be denied.

Dated, San Francisco, California,
January 10, 1945.

Respectfully submitted,
HUGH N. ORR,
CHARLES S. EVANS,
Attorneys for Respondent.